

Direct Testimony

Of

Jack D. Phillips

For

Frontier Communications of Illinois, Inc.
Frontier Communications-Midland, Inc.
Frontier Communications of Lakeside, Inc.
Frontier Communications-Prairie, Inc.
Frontier Communications-Schuyler, Inc.
Frontier Communications of DePue, Inc.

(ICC Docket Nos. 00-0233 and 00-0335)

1 Q. Please state your name and business address.

2

3 A. My name is Jack D. Phillips. My business address is 14450 Burnhaven Dr.,
4 Burnsville, Minnesota 55306.

5

6 Q. On what companies' behalf is this testimony submitted?

7

8 A. This testimony is submitted on behalf of Frontier Communications of Illinois, Inc;
9 Frontier Communications-Midland, Inc.; Frontier Communications of Lakeside, Inc.;
10 Frontier Communications-Prairie, Inc.; Frontier Communications-Schuyler, Inc.; and
11 Frontier Communications of DePue, Inc. I refer to these companies collectively in
12 my testimony as "Frontier Companies".

13

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0233/0335

Frontier Companies EXHIBIT NO. 1.0

DATE 6-19-01 REPORTER CB

1 Q. What is your position and what are your areas of responsibility for the Frontier
2 Companies?

3
4 A. I am Regulatory Manager for the Midwest local exchange carrier operations for
5 Frontier Communications. I have responsibility for regulatory compliance reporting,
6 regulatory analysis, regulatory policy, rate design, tariff issues, and interconnection
7 issues.

8
9 Q. Please summarize your educational background.

10 A. I received a B.A. in Business Administration and Economics from William Penn
11 University in 1978, an M.B.A. from Minnesota State University- Mankato in 1987,
12 and a M.S. in Telecommunications from St. Mary's University of Minnesota in 1997.

13
14 Q. Please summarize your background in the telecommunications industry.

15
16 A. I began in the industry with Centel in 1978 as a Budget and Forecast Coordinator.
17 Responsibilities included preparation of operating budgets and revenue forecasting.
18 In 1980, I assumed the position of Regulatory Administrator with responsibilities in
19 cost development for local services, rate case preparation and various local service
20 tariff issues. From 1983 through 1996, I was Access Planning Manager with overall
21 responsibility for separations and access cost studies, access rate issues, intercompany
22 compensation issues and access tariff development for Centel's Iowa, Minnesota and
23 Missouri operations and subsequently Frontier Communications' Midwest (Illinois,

1 Indiana, Michigan, Ohio, Iowa, Wisconsin and Minnesota) operations. In 1996, my
2 responsibilities were expanded to include regulatory functions in my current position
3 as Regulatory Manager.
4

5 Q. Did you prepare or oversee the preparation of the Illinois Universal Service Funding
6 calculations for the Frontier Companies?
7

8 A. Yes. The calculations are shown in Frontier Companies Exhibit 1.0. Schedule 1.01
9 contains the calculations for Frontier Communications of Illinois, Inc.; Schedule 1.02
10 contains the calculations for Frontier Communications-Midland, Inc.; Schedule 1.03
11 contains the calculations for Frontier Communications of Lakeside, Inc.; Schedule
12 1.04 contains the calculations for Frontier Communications-Prairie, Inc.; Schedule
13 1.05 contains the calculations for Frontier Communications-Schuyler, Inc.; and
14 Schedule 1.06 contains the calculations for Frontier Communications of DePue, Inc.
15

16 Q. Were Frontier Companies Exhibit 1.0, Schedules 1.01 through 1.06 completed in
17 accordance with the instructions of Staff and based on the ICC Form 23A filed by
18 each of the individual Frontier Companies with the Commission for the year ended
19 December 31, 2000?
20

21 A. Yes, they were.
22

Q. Do Exhibit 1.0, Schedules 1.01 through 1.06 contain any proposed adjustments for the Frontier Companies?

A. Yes. Adjustments were made in four areas: net regulated plant, deferred income taxes, revenues, and operating expenses.

Q. What is the general basis for making these adjustments?

A. The purpose of this proceeding is to determine appropriate levels of funding for the Illinois Universal Service Fund beginning October 1, 2001. It is expected that the outcome of this proceeding will be to establish funding for at least through calendar year 2002, and it may establish funding levels for periods beyond 2002. The purpose of the proposed adjustments is to present an appropriate forward-looking view of the Frontier Companies' regulated financial results for the initial funding period. Financial results for 2000 were used as a basis for the calculation, and adjustments were made for known, major changes from those reflected in 2000 financial statements.

Q. Please summarize the adjustments proposed to Net Regulated Plant.

A. Adjustments to increase Net Regulated Plant are proposed as follows:

| | |
|---|-------------|
| Frontier Communications of Illinois, Inc. | \$3,536,900 |
| Frontier Communications-Midland, Inc. | 331,726 |

| | | |
|---|---|---------|
| 1 | Frontier Communications of Lakeside, Inc. | 155,432 |
| 2 | Frontier Communications-Prairie, Inc. | 603,987 |
| 3 | Frontier Communications-Schuyler, Inc. | 320,726 |
| 4 | Frontier Communications of DePue, Inc. | 371,964 |

5

6 Q. What is the basis for these adjustments?

7

8 A. There are three factors supporting the Net Regulated Plant adjustments.

9 First, Frontier is committed to its 2001 capital program with engineering, planning
10 and construction of its 2001 program well underway. Budgeted capital expenditures
11 for 2001 are well defined and are appropriate for inclusion in determination of
12 prospective funding requirements.

13

14 Second, the Frontier Companies plan to begin an extraordinary capital program in
15 2002 that is over and above normal capital expenditure levels. The Frontier
16 Companies have included the first year, 2002, impact of required extraordinary
17 capital expenditures associated with a major switch changeout program in the Illinois
18 Universal Service Funding calculation. It has not included as adjustments routine or
19 normal capital expenditures or subsequent year capital expenditures associated with
20 the switch changeout program.

21

22 Third, adjustments were made to the depreciation reserve reflecting increases in
23 depreciation expense resulting from the plant additions.

1
2 Frontier Companies Exhibit 1.0, Schedule 1.07, Page 1 summarizes the adjustments
3 to Net Regulated Plant between that associated with the 2001 capital program; the
4 first year, 2002, of the extraordinary capital program associated with switch
5 replacements; and the resulting increase in depreciation reserve levels.

6
7 Q. Please explain the extraordinary expenditures associated with the switch changeout
8 program.

9
10 A. As summarized in Frontier Companies Exhibit 1.0 Schedule 1.07, Page 2, 23 of the
11 24 exchanges of the Frontier Companies are served by Siemens switches which
12 utilize a DCO switching platform. Siemens also manufactures switches with the
13 EWDS platform, which provides the processing capability required for many of the
14 new features available today and those emerging on the horizon. The DCO is a
15 smaller switching platform that was designed in the 1970s. Siemens is discontinuing
16 the manufacture of the DCO switch, thus necessitating replacement of these switches.
17 The first year of the switch changeout program for the Frontier Companies is
18 scheduled for 2002 and consists of replacement of the following switches: Davers,
19 Towanda, Cooksville, Cullom, Kempton and Saunemin switches for Frontier
20 Communications of Illinois, Inc.; the Flanagan and Graymont switches for Frontier
21 Communications of Prairie, Inc.; and the DePue switch for Frontier Communications
22 of DePue, Inc. These expenditures are over and above those which would otherwise
23 be made to support the provision of service in these areas.

1
2 Q. Why is inclusion of these extraordinary investments appropriate in the Illinois
3 Universal Service Funding calculation?
4

5 A. First, the Frontier Companies are proposing to include only the extraordinary
6 expenditures, not the routine capital expenditures. Second, the Frontier Companies
7 are proposing to include only the first-year impact of an anticipated three-year
8 program which is expected to cost \$13.8 million. Without the ability to include this
9 funding in the calculation of the Illinois Universal Service Fund calculation, the
10 Frontier Companies would not have sufficient earnings levels to support the capital
11 expenditures associated with this program and thus make the investments needed to
12 support the continued provision of services in these communities. The Commission
13 should explicitly leave the door open for companies to recalculate their Illinois
14 Universal Service Funding support amounts in 2003 and beyond as these investments
15 are added to the rate base.
16

17 Q. Does the "Amount" column for line 4 of Exhibit 1.0, Schedules 1.01 through 1.06,
18 "ADIT- Regulated Plant" match the trial balance for the deferred income tax
19 account?
20

21 A. No, it does not.
22

23 Q. Please explain why it doesn't match the trial balance the deferred income tax account.

1
2 A. The "Amount" column for deferred income taxes does not match the trial balance
3 because the Frontier Companies maintain four separate account balances for
4 components of deferred taxes. This is due to a regulatory requirement in New York
5 State which requires that companies separately identify deferred tax components. To
6 accommodate this requirement for the Frontier Communications companies which
7 operate in New York, the software used to calculate deferred taxes for the Frontier
8 Companies separates and books four separate account balances to four separate
9 accounts. The consolidation of the four components into the proper account is shown
10 in Frontier Companies Exhibit 1.0, Schedule 1.08, Page 1, to simplify reconciliation
11 to the trial balance. This is not an adjustment to deferred income taxes but is a
12 change necessitated by the format of the Illinois Universal Service Fund Calculation
13 report and the request by Staff to tie to the trial balance.
14

15 Q. Please describe the adjustments to the deferred income tax balance on Line 4, Page 1
16 of Schedules 1.01 through 1.06.
17

18 A. An adjustment was made to deferred income taxes to correct the allocation of tax
19 deferrals from the parent company Global Crossing to its affiliates, including the
20 Frontier Companies, to reflect appropriate levels for regulated telco operations.
21 The Frontier Companies do not file individual income tax returns, but rather, file a
22 consolidated return that includes affiliates and the parent company, Global Crossing.
23 Generally, in prior years, the consolidated tax return has been payable at the 35%

1 statutory rate. Each of the individual subsidiaries would have paid at a statutory rate
2 of 35% had individual returns been filed. In 2000, when the 1999 consolidated tax
3 return was completed and tax liability calculated, Global Crossing experienced tax
4 losses associated with non-telco operations. These losses resulted from: 1)
5 accelerated depreciation on certain classes of Global Crossing's undersea and national
6 network investments which were unrelated to operations of the Frontier Companies
7 and 2) operating losses from non-regulated operations including Global Center, an
8 Internet webhosting affiliate. The accelerated depreciation on these investments
9 resulted in tax losses but required payment of alternative minimum tax (AMT) at a
10 20% rate, as opposed the statutory 35% rate. The accelerated depreciation of the
11 parent's investments and non-telco operating losses that resulted in the tax losses (and
12 thus a lower actual tax payment) represented a consolidated tax deferral which was
13 actually attributable to the parent company and non-telco affiliates, not the Frontier
14 Companies. The deferred taxes resulting from these non-telco assets were allocated
15 to and reflected on the books of the subsidiaries, including the Frontier Companies.
16 The result is that the deferred tax balance in 2000 does not accurately reflect telco
17 operations. Therefore, the taxes properly attributable to the Frontier Companies
18 needs to be adjusted to reflect the operations of these individual telco operations.
19 Actual book adjustments to correct the allocation of Global Crossing's deferred taxes
20 to the Frontier Companies (and other affiliates) will be made in 2001. Adjustments to
21 the 2000 deferred tax reserve to reflect telco operations are shown in Frontier
22 Companies Exhibit 1.0, Schedule 1.08, Page 1.

1 Q. Please explain the basis for the inclusion of the Commission-ordered cash balance
2 requirement on line 11 of Page 1 of Exhibit 1.0, Schedules 1.01 through 1.06.

3
4 A. In the Commission's Orders in Docket 99-0237, Joint Application for the
5 reorganization of Frontier Communications of Illinois, Inc.; Frontier Communications
6 of Lakeside, Inc.; Frontier Communications of Mt. Pulaski, Inc.; Frontier
7 Communications of DePue, Inc.; Frontier Communications of Orion, Inc.; Frontier
8 Communications-Midland, Inc.; Frontier Communications-Prairie, Inc.; and Frontier
9 Communications-Schuyler, Inc.; and in accordance with Section 7-204 of the Public
10 Utilities Act and for all other appropriate relief, and Docket No. 00-0552, Joint
11 Application for Approval of the Reorganization of Frontier Communications of
12 Illinois, Inc.; Frontier Communications of Lakeside, Inc.; Frontier Communications
13 of Mt. Pulaski, Inc.; Frontier Communications of DePue; Frontier Communications of
14 Orion, Inc.; Frontier Communications-Midland, Inc.; Frontier Communications-
15 Prairie, Inc.; and Frontier Communications-Schuyler, Inc.; and in accordance with
16 Section 7-204 of the Public Utilities Act and for all other appropriate relief, the
17 Frontier Companies were required to retain funds to support, at a minimum, the
18 following year's capital expenditures. This is an appropriate inclusion in total
19 working capital requirement, as this is a Commission-mandated retention of funds to
20 support the following year's capital expenditures. Frontier Companies Exhibit 1.0,
21 Schedule 1.09, summarizes the components of the Commission Ordered Cash
22 Balance Requirement.

1 Q. Please outline the adjustments made to revenues.

2
3 A. An adjustment was made to access revenues to reflect known rate changes mandated
4 by regulators which were not reflected or not fully reflected in calendar year 2000
5 financial results.

6
7 Two adjustments were made to miscellaneous revenues. The first was to remove
8 non-regulated revenues associated with billing and collection services. The second
9 was for the removal of yellow pages advertising revenues. Associated adjustments
10 were made, as described later in my testimony, to also remove the expenses
11 associated with these services.

12
13 Q. Please further describe the adjustments made to access revenues to reflect known rate
14 changes which were not reflected or not fully reflected in the calendar year 2000
15 financial results.

16
17 A. Interstate access rates of the Frontier Companies, except Frontier Communications
18 of DePue, are under price cap regulation. The CALLS plan resulted in restructuring
19 and reductions in interstate rates effective July 1, 2000, and further mandated
20 reductions, including those effective July 1, 2001. Interstate switched access rates
21 are mirrored in the intrastate jurisdiction which resulted in known and certain future
22 reductions in intrastate switched access revenues.

1 Frontier Companies Exhibit 1.0, Schedule 1.10, Page 2, summarizes revenue
2 adjustments necessary to normalize 2000 revenues for mandated interstate and
3 intrastate rates changes not reflected or not fully reflected in the 2000 financials
4 results.

5
6 Column "a" summarizes the adjustment needed to normalize January through
7 September 2000 intrastate billed revenues for intrastate rate changes associated with
8 CALLS. Intrastate rates were reduced on July 1, 2000, and August 11, 2000 as a
9 result of the CALLS plan. Column "a" represents the adjustment to restate January
10 through September intrastate revenues to the composite access rate level in effect for
11 4Q 2000.

12
13 Column "b" represents the adjustment to normalize 2000 intrastate access revenues
14 for the impact of the July 1, 2001, CALLS related rate change and is based on 2000
15 demand quantities.

16
17 Column "d" represents a summary of the adjustment to normalize 2000 interstate
18 access revenues for the impact of the July 1 and August 11, 2000, rate changes.

19
20 Column "e" represents the adjustment to normalize 2000 interstate access revenues
21 for the impact of the July 1, 2001, CALLS related rate change and is based on 2000
22 demand quantities.

1 Column "f" represents the adjustment to normalize 2000 interstate carrier common
2 line revenues for the impact of the carrier common line rate reductions from July 1,
3 2000, through July 1, 2001.

4
5 Column "g" represents the adjustment to normalize 2000 interstate subscriber line
6 revenues for rate increases effective July 1, 2000, through July 1, 2001.

7
8 Column "h" represents the adjustment to normalize 2000 PICC revenues for rate
9 changes and changes in application of PICC rates effective July 1, 2000, through
10 July 1, 2001.

11
12 Two of the Frontier Companies began receiving USAC support revenue July 1,
13 2000. Column "i" represents an adjustment of six months worth of support revenue
14 to normalize 2000 revenues for this additional support.

15
16 Q. Please explain the adjustment to remove billing and collection revenues.

17
18 A. An adjustment, as shown in Frontier Companies Exhibit 1.0, Schedule 1.10, Page 1,
19 was made to remove revenues related to the provision of billing and collection
20 services. This adjustment is supported for two reasons.

21
22 First, the FCC, in its Report and Order in CC Docket No. 85-88, Detariffing of
23 Billing and Collection Services and subsequent Order on Reconsideration

1 (Detariffing Order) deregulated provision of billing and collection service effective
2 January 1, 1987. The FCC concluded that third-party billing and collection was not
3 common carrier communications services but rather financial and administrative
4 service. It is, therefore, appropriate to remove the revenues and, as discussed later in
5 my testimony, the expenses associated with providing this category of service. A
6 number of long distance carriers perform the billing and collection function
7 themselves which also serves as the second basis for an adjustment to 2000
8 revenues. AT&T recently announced it would assess a surcharge to the bills of its
9 long distance customers which wanted to have long distance billed on the telco bill
10 and that it plans to continue the migration of customers to its own billing platform.
11 Even if billing and collection were not considered deregulated, the billing and
12 collection revenues reflected in 2000 are overstated and should be adjusted to reflect
13 declining revenues.

14
15 Q. Please explain the adjustment to remove yellow pages directory advertising revenues.

16
17 A. There are minimal barriers to entering the yellow pages directory advertising
18 market. A directory advertising competitor can buy white pages listings at the
19 administrative cost of preparing the listings or compile listings itself. In either case,
20 white pages listings are readily available because they are public information and not
21 protected by copyright laws. Once white pages listings are established, the
22 competitor has the medium through which to deliver yellow pages advertising.
23 Additionally, there are many substitutes for yellow page advertising including print

1 and electronic media. Advertising is a mature business with virtually limitless
2 options. Revenues and expenses associated with directory advertising are removed
3 from the Illinois Universal Service Fund calculation because yellow pages directory
4 advertising is a non-telecommunications function, competitive and has little barrier
5 to entry. Directory revenue adjustments are summarized in Schedule 1.10, Page 1.

6
7 Q. Please outline the adjustments made to operating expenses.

8 A. Four adjustments were made to operating expenses. Frontier Companies Exhibit 1.0,
9 Schedule 1.11, Page 1, summarizes these adjustments.

10
11 First, depreciation expense was increased to reflect the additional plant in service
12 adjustments described earlier in my testimony. The higher level of plant in service
13 will result in a higher depreciation expense and is supported by Frontier Companies
14 Exhibit 1.0, Schedule 1.11, Page 2.

15
16 Second, adjustments were made to reduce billing and collection expenses reflecting
17 the removal of billing and collection revenues as described earlier in my testimony.
18 This adjustment is supported in Frontier Companies Exhibit 1.0, Schedule 1.11, Page
19 3.

20
21 Third, adjustments were made to reduce directory expenses reflecting the removal of
22 yellow pages directory advertising as described earlier in my testimony. This
23 adjustment is supported in Frontier Companies Exhibit 1.0, Schedule 1.11, Page 4.

1
2 Fourth, adjustments were made to correct allocation of administrative and marketing
3 expenses to the Frontier Companies. Employees in Michigan perform certain
4 administrative and marketing functions for Michigan, Illinois, and Indiana. It was
5 discovered that certain joint costs, including salaries, for these employees were not
6 being allocated to the Frontier Companies during 2000. Accounting adjustments are
7 being made to correct this allocation retroactive to January 1, 2001, but the expenses
8 are not properly reflected in the 2000 trial balance that served as the basis for the
9 Illinois Universal Service Fund calculation. This adjustment is supported in Frontier
10 Companies Exhibit 1.0, Schedule 1.11, Page 5.

11
12 Q. Does this conclude your testimony?

13 A. Yes, it does.

Frontier Communications of Illinois, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjustments | Adjusted Amount |
|--------|---|-----------------------------------|--------------|--------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, P 8, Net Plant | \$ 4,112,821 | \$ 3,536,900 | \$ 7,649,721 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | - | - | - |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 843,419 | (597,747) | 245,672 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 7,404,049 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 1,898,106 | 97,387 | 1,995,493 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 514,627 | 156,961 | 671,588 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 1,383,479 | (59,574) | 1,323,905 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 165,488 |
| 11 | Commission-Ordered Cash Balance Requirement | | 4,759,444 | - | 4,759,444 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 4,924,932 |
| 13 | Total Rate Base | line 5 + line 12 | | | 12,328,981 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 4,425,962 | (500,805) | 3,925,157 |
| 15 | Less: Illinois High Cost Fund | | 893,613 | - | 893,613 |
| 16 | Net Operating Revenues | line 14 - line 15 | 3,532,349 | (500,805) | 3,031,544 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 1,898,106 | 97,387 | 1,995,493 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 3,204 | - | 3,204 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 1,631,039 | (598,192) | 1,032,847 |
| 21 | Income Tax Expense | line 34 | | | 409,699 |
| 22 | Net Operating Income | line 20 - line 21 | | | 623,148 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 5.05% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 1,288,379 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 665,231 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 1,102,620 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 1,032,847 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 74,158 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 958,689 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 335,541 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 409,699 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications of Illinois, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|-----|
| 1 | December-99 | \$0 |
| 2 | January-00 | \$0 |
| 3 | February-00 | \$0 |
| 4 | March-00 | \$0 |
| 5 | April-00 | \$0 |
| 6 | May-00 | \$0 |
| 7 | June-00 | \$0 |
| 8 | July-00 | \$0 |
| 9 | August-00 | \$0 |
| 10 | September-00 | \$0 |
| 11 | October-00 | \$0 |
| 12 | November-00 | \$0 |
| 13 | December-00 | \$0 |
| 14 | 13 Month Average | \$0 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications of Illinois, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|---------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 692,454 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 1,265,438 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 893,613 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 172,851 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 3,024,356 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 316,453 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 322,016 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ 310,366 |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 92,793 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 1,041,628 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 359,978 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 4,425,962</u> |

Frontier Communications-Midland, Inc.

Illinois Universal Service Funding Calculation

Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjusted Amount | Adjusted Amount |
|--------|---|-----------------------------------|--------------|-----------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, P 8, Net Plant | \$ 5,394,024 | \$ 331,726 | \$ 5,725,750 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | 4,422 | - | 4,422 |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 1,027,689 | (496,144) | 531,545 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 5,198,627 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 2,300,112 | (89,907) | 2,210,205 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 625,907 | 22,406 | 648,313 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 1,674,205 | (112,313) | 1,561,892 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 195,237 |
| 11 | Commission-Ordered Cash Balance Requirement | | 980,039 | - | 980,039 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 1,175,276 |
| 13 | Total Rate Base | line 5 + line 12 | | | 6,373,903 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 4,159,345 | (397,018) | 3,762,327 |
| 15 | Less: Illinois High Cost Fund | | 950,825 | - | 950,825 |
| 16 | Net Operating Revenues | line 14 - line 15 | 3,208,520 | (397,018) | 2,811,502 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 2,300,112 | (89,907) | 2,210,205 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 9,067 | - | 9,067 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 899,341 | (307,111) | 592,230 |
| 21 | Income Tax Expense | line 34 | | | 234,920 |
| 22 | Net Operating Income | line 20 - line 21 | | | 357,310 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 5.61% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 666,073 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 308,763 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 511,775 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 592,230 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 42,522 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 549,708 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 192,398 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 234,920 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications-Midland, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|---------|
| 1 | December-99 | \$4,365 |
| 2 | January-00 | \$4,521 |
| 3 | February-00 | \$4,368 |
| 4 | March-00 | \$4,423 |
| 5 | April-00 | \$4,376 |
| 6 | May-00 | \$5,310 |
| 7 | June-00 | \$4,352 |
| 8 | July-00 | \$4,217 |
| 9 | August-00 | \$3,874 |
| 10 | September-00 | \$4,295 |
| 11 | October-00 | \$4,999 |
| 12 | November-00 | \$4,634 |
| 13 | December-00 | \$3,751 |
| 14 | 13 Month Average | \$4,422 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications-Midland, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|---------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 753,572 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 1,418,970 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 950,825 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 111,171 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 3,234,538 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 265,105 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 212,738 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ 190,339 |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 30,242 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 698,424 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 226,383 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 4,159,345</u> |

Frontier Communications of Lakeside, Inc.

Illinois Universal Service Funding Calculation

Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjustments | Adjusted Amount |
|--------|---|-----------------------------------|------------|-------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, P 8, Net Plant | \$ 865,269 | \$ 155,432 | \$ 1,020,701 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | - | - | - |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 169,734 | (91,889) | 77,845 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 942,856 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 385,546 | (13,585) | 371,961 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 96,670 | 5,784 | 102,454 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 288,876 | (19,369) | 269,507 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 33,688 |
| 11 | Commission-Ordered Cash Balance Requirement | | 257,886 | - | 257,886 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 291,574 |
| 13 | Total Rate Base | line 5 + line 12 | | | 1,234,430 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 695,013 | (70,579) | 624,434 |
| 15 | Less: Illinois High Cost Fund | | 83,731 | - | 83,731 |
| 16 | Net Operating Revenues | line 14 - line 15 | 611,282 | (70,579) | 540,703 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 385,546 | (13,585) | 371,961 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 1,495 | - | 1,495 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 224,241 | (56,994) | 167,247 |
| 21 | Income Tax Expense | line 34 | | | 66,342 |
| 22 | Net Operating Income | line 20 - line 21 | | | 100,905 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 8.17% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 128,998 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 28,093 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 46,564 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 167,247 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 12,008 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 155,239 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 54,334 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 66,342 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications of Lakeside, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|-----|
| 1 | December-99 | \$0 |
| 2 | January-00 | \$0 |
| 3 | February-00 | \$0 |
| 4 | March-00 | \$0 |
| 5 | April-00 | \$0 |
| 6 | May-00 | \$0 |
| 7 | June-00 | \$0 |
| 8 | July-00 | \$0 |
| 9 | August-00 | \$0 |
| 10 | September-00 | \$0 |
| 11 | October-00 | \$0 |
| 12 | November-00 | \$0 |
| 13 | December-00 | \$0 |
| 14 | 13 Month Average | \$0 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications of Lakeside, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|-------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 121,002 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 262,792 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 83,731 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 12,195 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 479,720 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 53,382 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 63,027 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ 43,488 |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 18,445 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 178,342 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 36,951 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 695,013</u> |

Frontier Communications-Prairie, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjustments | Adjusted Amount |
|--------|---|-----------------------------------|------------|-------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, P 8, Net Plant | \$ 659,863 | \$ 603,987 | \$ 1,263,850 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | - | - | - |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 183,101 | (140,404) | 42,697 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 1,221,153 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 271,714 | 11,228 | 282,942 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 104,223 | 24,078 | 128,301 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 167,491 | (12,850) | 154,641 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 19,330 |
| 11 | Commission-Ordered Cash Balance Requirement | | 839,187 | - | 839,187 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 858,517 |
| 13 | Total Rate Base | line 5 + line 12 | | | 2,079,670 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 678,650 | (83,424) | 595,226 |
| 15 | Less: Illinois High Cost Fund | | 113,592 | - | 113,592 |
| 16 | Net Operating Revenues | line 14 - line 15 | 565,058 | (83,424) | 481,634 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 271,714 | 11,228 | 282,942 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 5,585 | - | 5,585 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 287,759 | (94,652) | 193,107 |
| 21 | Income Tax Expense | line 34 | | | 76,600 |
| 22 | Net Operating Income | line 20 - line 21 | | | 116,507 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 5.60% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 217,326 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 100,819 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 167,107 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 193,107 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 13,865 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 179,242 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 62,735 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 76,600 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications-Prairie, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|-----|
| 1 | December-99 | \$0 |
| 2 | January-00 | \$0 |
| 3 | February-00 | \$0 |
| 4 | March-00 | \$0 |
| 5 | April-00 | \$0 |
| 6 | May-00 | \$0 |
| 7 | June-00 | \$0 |
| 8 | July-00 | \$0 |
| 9 | August-00 | \$0 |
| 10 | September-00 | \$0 |
| 11 | October-00 | \$0 |
| 12 | November-00 | \$0 |
| 13 | December-00 | \$0 |
| 14 | 13 Month Average | \$0 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications-Prairie, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|-------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 143,730 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 240,340 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 113,592 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 33,211 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 530,873 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 63,245 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 76,038 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ (38,076) |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 7,021 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 108,228 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 39,549 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 678,650</u> |

Frontier Communications-Schuyler, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjustments | Adjusted Amount |
|--------|---|-----------------------------------|--------------|-------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, R 8, Net Plant | \$ 4,329,962 | \$ 320,726 | \$ 4,650,688 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | - | - | - |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 732,347 | (700,004) | 32,343 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 4,618,345 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 1,433,629 | (117,192) | 1,316,437 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 268,092 | 10,291 | 278,383 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 1,165,537 | (127,483) | 1,038,054 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 129,757 |
| 11 | Commission-Ordered Cash Balance Requirement | | 599,109 | - | 599,109 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 728,866 |
| 13 | Total Rate Base | line 5 + line 12 | | | 5,347,211 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 2,371,569 | (314,369) | 2,057,200 |
| 15 | Less: Illinois High Cost Fund | | 245,457 | - | 245,457 |
| 16 | Net Operating Revenues | line 14 - line 15 | 2,126,112 | (314,369) | 1,811,743 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 1,433,629 | (117,192) | 1,316,437 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 42,652 | - | 42,652 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 649,831 | (197,177) | 452,654 |
| 21 | Income Tax Expense | line 34 | | | 179,555 |
| 22 | Net Operating Income | line 20 - line 21 | | | 273,099 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 5.11% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 558,784 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 285,685 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 473,523 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 452,654 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 32,501 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 420,153 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 147,054 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 179,555 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications-Schuyler, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|-----|
| 1 | December-99 | \$0 |
| 2 | January-00 | \$0 |
| 3 | February-00 | \$0 |
| 4 | March-00 | \$0 |
| 5 | April-00 | \$0 |
| 6 | May-00 | \$0 |
| 7 | June-00 | \$0 |
| 8 | July-00 | \$0 |
| 9 | August-00 | \$0 |
| 10 | September-00 | \$0 |
| 11 | October-00 | \$0 |
| 12 | November-00 | \$0 |
| 13 | December-00 | \$0 |
| 14 | 13 Month Average | \$0 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications-Schuyler, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|---------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 900,787 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 184,274 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 245,457 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 41,571 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 1,372,089 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 215,149 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 276,850 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ 56,662 |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 111,863 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 660,524 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 338,956 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 2,371,569</u> |

Frontier Communications of DePue, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23a Report Data for December 31, 2000

| Line # | Description | Source | Amount | Adjustments | Adjusted Amount |
|--------|---|-----------------------------------|------------|-------------|-----------------|
| 1 | Net Regulated Plant | Form 23A, P 8, Net Plant | \$ 468,998 | \$ 371,964 | \$ 840,962 |
| 2 | Materials and Supplies Inventory | Page 2, 13-Month Average | 127 | - | 127 |
| 3 | Customer Deposits | Form 23A, P 8, 4040 | - | - | - |
| 4 | ADIT - Regulated Plant | Form 23A, P 8, 4100 + 4340 | 179,074 | (61,148) | 117,926 |
| 5 | Rate Base before Working Capital | line 1 + line 2 - line 3 - line 4 | | | 723,163 |
| 6 | Working Capital Requirement | | | | |
| 7 | Total Operating Expenses | Form 23A, P 14, Total | 580,359 | (39,801) | 540,558 |
| 8 | Less: Depreciation Expense | Form 23A, P 13, 6560 | 68,515 | 20,570 | 89,085 |
| 9 | Total WC Operating Expense | line 7 - line 8 | 511,844 | (60,371) | 451,473 |
| 10 | WC OE Requirement | line 9 * 45 / 360 | | | 56,434 |
| 11 | Commission-Ordered Cash Balance Requirement | | 534,471 | - | 534,471 |
| 12 | Total Working Capital Requirement | line 10 + line 11 | | | 590,905 |
| 13 | Total Rate Base | line 5 + line 12 | | | 1,314,068 |
| 14 | Total Operating Revenues | Form 23A, P 11, Total | 830,424 | (58,072) | 772,352 |
| 15 | Less: Illinois High Cost Fund | | 35,544 | - | 35,544 |
| 16 | Net Operating Revenues | line 14 - line 15 | 794,880 | (58,072) | 736,808 |
| 17 | Total Operating Expenses | Form 23A, P 14, Total | 580,359 | (39,801) | 540,558 |
| 18 | Other Operating Inc and Exp - Net | Form 23A, P 15, 7100 | - | - | - |
| 19 | Other Operating Taxes | Form 23A, P 15, 7240 | 8,131 | - | 8,131 |
| 20 | Net Op Inc before Income Taxes | line 16 - lines 17, 18, & 19 | 206,390 | (18,271) | 188,119 |
| 21 | Income Tax Expense | line 34 | | | 74,621 |
| 22 | Net Operating Income | line 20 - line 21 | | | 113,498 |
| 23 | Return on Rate Base | line 22 / line 13 | | | 8.64% |
| 24 | After-tax Cost of Capital | | | | 10.45% |
| 25 | Target Net Operating Income | line 24 * line 13 | | | 137,320 |
| 26 | Adj to Achieve Target Return on RB | line 25 - line 22 | | | 23,822 |
| 27 | Gross Revenue Conversion Factor | line 35 | | | 1.6575 |
| 28 | ROR Funding Deficiency Including Inc Taxes | line 26 * line 27 | | | 39,485 |
| 29 | Calculation of Income Tax Expense | | | | |
| 30 | Net Op Inc before Inc Taxes | line 20 | | | 188,119 |
| 31 | Illinois Inc & Rep Tax Expense | line 30 * 7.18% | | | 13,507 |
| 32 | Net Op Inc before Fed Inc Tax | line 30 - line 31 | | | 174,612 |
| 33 | Federal Income Tax Expense | line 32 * 35.00% | | | 61,114 |
| 34 | Total Imputed Income Tax Expense | line 31 + line 33 | | | 74,621 |
| 35 | Gross Revenue Conversion Factor | 1 / ((1 - .0718) * (1 - .35)) | | | 1.6575 |

Frontier Communications of DePue, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2000
 Material & Supplies Worksheet and Other Information

Line #

| | | |
|----|------------------|-------|
| 1 | December-99 | \$0 |
| 2 | January-00 | \$0 |
| 3 | February-00 | \$0 |
| 4 | March-00 | \$0 |
| 5 | April-00 | \$0 |
| 6 | May-00 | \$0 |
| 7 | June-00 | \$0 |
| 8 | July-00 | \$0 |
| 9 | August-00 | \$331 |
| 10 | September-00 | \$331 |
| 11 | October-00 | \$331 |
| 12 | November-00 | \$331 |
| 13 | December-00 | \$331 |
| 14 | 13 Month Average | \$127 |

Sale/Lease Back Arrangement

☒

The company does not have any sale(s)/lease back arrangement.

☐

The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

☒

The company does not have any lease agreements with affiliates.

☐

The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Frontier Communications of DePue, Inc.
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Operating Revenues By Category

| <u>Line #</u> | | <u>Source</u> | <u>Amount</u> |
|---------------|-------------------------------------|-----------------------------|-------------------|
| | | Form 23A, P 10, Total Local | |
| 1 | Local Revenues | Network Service Revenues | \$ 267,265 |
| 2 | State Subscriber Line Charges | Trial Balance 12/31/00 | \$ - |
| 3 | State Access Revenues | Trial Balance 12/31/00 | \$ 179,176 |
| 4 | State High Cost Support | Exhibit X, Line 15 | \$ 35,544 |
| 5 | State Special Access Revenues | Trial Balance 12/31/00 | \$ 19,375 |
| 6 | Total State Access & Local Revenues | Sum (Ln 1 - 5) | \$ 501,360 |
| 7 | Federal Subscriber Lines Charges | Trial Balance 12/31/00 | \$ 38,344 |
| 8 | Federal Access Revenues | Trial Balance 12/31/00 | \$ 223,265 |
| 9 | Federal High Cost Support | Trial Balance 12/31/00 | \$ - |
| 10 | Federal Special Access Revenues | Trial Balance 12/31/00 | \$ 4,749 |
| 11 | Total Federal Access Revenues | Sum (Ln 7 - 10) | \$ 266,358 |
| 12 | Misc Revenues | Trial Balance 12/31/00 | \$ 62,706 |
| 13 | Total Operating Revenues | Ln 6 + Ln 11 + Ln 12 | <u>\$ 830,424</u> |

Frontier Companies
Net Regulated Plant

| Line No. | Net Regulated Plant | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|---|--------------------------------|-----------------------------|----------------|---------------|--------------|--------------|--------------|--------------|
| 1. | 12/31/2000 Net Regulated Plant | Trial Bal. 2003 to 2690 | \$ 10,013,095 | \$ 13,590,394 | \$ 2,117,615 | \$ 1,907,050 | \$ 7,507,944 | \$ 1,118,537 |
| 2. | 12/31/2000 Accumulated Depr. | Trial Bal. 3003 to 3690 | 5,900,274 | 8,196,369 | 1,252,346 | 1,247,188 | 3,177,984 | 649,540 |
| 3. | Unadjusted Net Regulated Plant | Line 1- Line 2 | 4,112,821 | 5,394,025 | 865,269 | 659,862 | 4,329,960 | 468,997 |
| <u>Additions to Net Regulated Plant</u> | | | | | | | | |
| 4. | 2001 Capital Budget | | 1,433,764 | 980,039 | 257,886 | 104,915 | 599,109 | 167,335 |
| 5. | Extraordinary switch changeout | Schedule 1.07, Page 2 | 3,325,680 | 0 | 0 | 734,272 | 0 | 367,136 |
| <u>Additions to Accumulated Depr.</u> | | | | | | | | |
| 6. | 2001 Capital Budget | | 550,955 | 648,313 | 102,454 | 106,899 | 278,383 | 73,201 |
| 7. | Extraordinary switch changeout | | 671,589 | 0 | 0 | 128,301 | 0 | 89,306 |
| 8. | Total Adjustments | Line 4+Line 5-Line 6-Line 7 | 3,536,900 | 331,726 | 155,432 | 603,987 | 320,726 | 371,964 |
| 9. | Adjusted Net Regulated Plant | Line 3+Line 8 | \$ 7,649,721 | \$ 5,725,751 | \$ 1,020,701 | \$ 1,263,849 | \$ 4,650,686 | \$ 840,961 |

Frontier Companies
Extraordinary Capital Expenditures
Associated with Central Office Changeout Program

| Year | Company | Exchange | Capital Expenditure | Type |
|------|-------------------------------------|------------|------------------------|--------------|
| 2002 | Frontier Communications of Illinois | Danvers | \$ 1,490,000 | CO Switching |
| | | Towanda | \$ 367,136 | CO Switching |
| | | Cooksville | \$ 367,136 | CO Switching |
| | | Cullom | \$ 367,136 | CO Switching |
| | | Kempton | \$ 367,136 | CO Switching |
| | | Saunemin | \$ 367,136 | CO Switching |
| | | Total | \$ 3,325,680 | |
| | Frontier Communications-Prairie | Flanagan | \$ 367,136 | CO Switching |
| | | Graymont | \$ 367,136 | CO Switching |
| | | Total | \$ 734,272 | |
| | Frontier Communications of DePue | DePue | \$ 367,136 | CO Switching |

| | | | | |
|------|-------------------------------------|------------|--------------|----------------------|
| 2003 | Frontier Communications of Illinois | Moweaqua | \$ 1,490,000 | CO Switching |
| | | Moweaqua | \$ 234,566 | Fiber |
| | | Moweaqua | \$ 86,150 | Optical Transmission |
| | | Total | \$ 1,810,716 | |
| | Frontier Communications of Midland | Arenzville | \$ 367,136 | CO Switching |
| | | Concord | \$ 367,136 | CO Switching |
| | | Modesto | \$ 367,136 | CO Switching |
| | | Scottville | \$ 367,136 | CO Switching |
| | | Total | \$ 1,468,544 | |
| | Frontier Communications of Lakeside | Findlay | \$ 367,136 | CO Switching |
| | | Findlay | \$ 234,566 | Fiber |
| | | Findlay | \$ 86,150 | Optical Transmission |
| | | Kirksville | \$ 367,136 | CO Switching |
| | | Total | \$ 1,054,988 | |
| | Frontier Communications of Illinois | Towanda | \$ 260,224 | Fiber |
| | | Towanda | \$ 86,150 | Optical Transmission |
| | | Total | \$ 346,374 | |
| | Frontier Communications of Prairie | Flanagan | \$ 260,224 | Fiber |
| | | Flanagan | \$ 86,150 | Optical Transmission |
| | | Total | \$ 346,374 | |

| | | | | |
|------|-------------------------------------|------------|--------------|----------------------|
| 2004 | Frontier Communications of Midland | Pocahontas | \$ 1,490,000 | CO Switching |
| | | Herrick | \$ 367,136 | CO Switching |
| | | Sefton | \$ 367,136 | CO Switching |
| | | Oconee | \$ 367,136 | CO Switching |
| | | Shipman | \$ 367,136 | CO Switching |
| | | Woodburn | \$ 367,136 | CO Switching |
| | | Dorchester | \$ 367,136 | CO Switching |
| | | Total | \$ 3,692,816 | |
| | Frontier Communications of DePue | DePue | \$ 88,245 | Fiber |
| | | DePue | \$ 86,150 | Optical Transmission |
| | | Total | \$ 174,395 | |
| | Frontier Communications of Illinois | Saunemin | \$ 183,170 | Fiber |
| | | Saunemin | \$ 68,649 | Optical Transmission |
| | | Total | \$ 251,819 | |
| | Frontier Communications-Prairie | Graymont | \$ 183,170 | Fiber |
| | | Graymont | \$ 68,650 | Optical Transmission |
| | | Total | \$ 251,820 | |

Frontier Companies
ADIT - Regulated Plant

| Line No. | ADIT - Regulated Plant | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|----------|--|-----------------------------|----------------|-------------|-----------|-----------|-------------|-----------|
| 1. | 12/31/2000 Account 1360 | Trial Bal. 1360 | \$ 230,998 | \$ 212,477 | \$ 45,995 | \$ 49,292 | \$ 197,258 | \$ 18,131 |
| 2. | 12/31/2000 Account 1510 | Trial Bal. 1510 | 2,913,954 | 4,070,970 | 559,248 | 560,439 | 2,820,027 | 360,248 |
| 3. | 12/31/2000 Account 4100 | Trial Bal. 4100 | (37,569) | (35,518) | (6,640) | (7,862) | (101,313) | (2,233) |
| 4. | 12/31/2000 Account 4340 | Trial Bal. 4340 | (3,950,802) | (5,275,618) | (768,337) | (784,970) | (3,648,319) | (555,220) |
| 5. | Unadjusted balance of ADIT - Regulated Plant | Line 1+Line 2+Line 3+Line 4 | (843,419) | (1,027,689) | (169,734) | (183,101) | (732,347) | (179,074) |
| 6. | Incorrect Allocation | | 597,747 | 496,144 | 91,889 | 140,404 | 700,004 | 61,148 |
| 7. | Adjusted ADIT - Regulated Plant | Line 5 + Line 6 | (245,672) | (531,545) | (77,845) | (42,697) | (32,343) | (117,926) |

Frontier Companies
Commission-Ordered Cash Balance Requirement

| Minimum Requirement | | FC of Illinois | | Midland | | Lakeside | | Prairie | | Schuyler | | DePue |
|------------------------------------|----|-----------------------|----|----------------|----|-----------------|----|----------------|----|-----------------|----|--------------|
| 1. 2001 Capital Budget | \$ | 1,433,764 | \$ | 980,039 | \$ | 257,886 | \$ | 104,915 | \$ | 599,109 | \$ | 167,335 |
| 2. 2002 Extraordinary Expenditures | | 3,325,680 | | - | | - | | 734,272 | | - | | 367,136 |
| 3. Total Cash Balance Requirement | \$ | 4,759,444 | \$ | 980,039 | \$ | 257,886 | \$ | 839,187 | \$ | 599,109 | \$ | 534,471 |

**Frontier Companies
 Revenue Adjustments**

| Line No. | Revenue Adjustments | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|----------|-------------------------------------|------------------------|----------------|--------------|------------|------------|--------------|------------|
| 1. | 12/31/2000 Unadjusted Total Revenue | Std. IITA Form, Page 3 | \$ 4,425,962 | \$ 4,159,345 | \$ 695,013 | \$ 678,650 | \$ 2,371,569 | \$ 830,424 |
| | <u>Revenue Adjustments</u> | | | | | | | |
| 2. | Known Access Revenue Adjustments | Schedule 1.09, Page 2 | (227,412) | (159,526) | (33,028) | (42,007) | (107,711) | 0 |
| 3. | Billing and Collection Revenue | Trial Balance 5270 | (208,646) | (207,500) | (35,322) | (39,029) | (90,656) | (46,285) |
| 4. | Directory Revenue | Trial Balance 5230 | (64,747) | (29,992) | (2,229) | (2,388) | (116,002) | (11,787) |
| 5. | Total Revenue Adjustments | Line 2+Line 3+Line 4 | (500,805) | (397,018) | (70,579) | (83,424) | (314,369) | (58,072) |
| 6. | Adjusted Revenue | Line 1 + Line 5 | 3,925,157 | 3,762,327 | 624,434 | 595,226 | 2,057,200 | 772,352 |

Frontier Companies
Access Revenue Adjustments

Dockets No. 00-0233 00-335 (Consolidated)
Frontier Companies Exhibit 1.0
Schedule 1.10

| | Intrastate Jan-Sept Post Calls' Revenue vs. pre-calls Revenue (a) | Intrastate CALLS' 2001 Estimated Access Reduction (b) | Total Intrastate Access Revenue Adjustment (c)=a+b | Interstate Jan-Sept Post Calls' Revenue vs. pre-calls Revenue (d) | Interstate CALLS' 2001 Estimated Access Reduction (e) | Interstate CCL Revenue Reduction CALLS Impact (f) | Inter SLC Revenue Increase CALLS Impact (g) | Inter PICC Normalized Revenue Difference (h) | New* USAC Support Revenue (i) | Total Interstate Access Revenue Adjustment (j)=d..i | Total Access Revenue Adjustment (k)=c+j |
|----------|---|--|---|---|--|--|--|--|---|--|---|
| DEPUE | | | | | | | | | | | |
| INLAND | (\$108,003) | (\$44,242) | (\$152,245) | (\$58,897) | (\$23,917) | (\$22,281) | \$ 60,056 | \$ (30,127) | | (\$75,167) | (\$227,412) |
| LAKESIDE | (\$14,713) | (\$6,365) | (\$21,078) | (\$9,965) | (\$4,202) | (\$3,557) | \$ 10,523 | \$ (4,986) | \$ 238 | (\$11,950) | (\$33,028) |
| MIDLAND | (\$117,238) | (\$45,648) | (\$162,886) | (\$58,601) | (\$25,582) | (\$19,797) | \$ 56,112 | \$ (28,531) | \$ 79,759 | \$3,360 | (\$159,526) |
| PRAIRIE | (\$17,775) | (\$7,964) | (\$25,739) | (\$12,659) | (\$5,041) | (\$4,862) | \$ 12,861 | \$ (6,566) | | (\$16,268) | (\$42,007) |
| SCHUYLER | (\$35,495) | (\$15,325) | (\$50,820) | (\$40,120) | (\$20,954) | (\$14,653) | \$ 35,044 | \$ (16,208) | | (\$56,891) | (\$107,711) |

Frontier Companies
Operating Expense Adjustments

| Line No. | Operating Expense Adjustments | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schnyler | DePue |
|----------|--------------------------------------|----------------------------|----------------|-----------|----------|----------|-----------|----------|
| 1. | 12/31/2000 Unadjusted Operating Exp. | Trial Balance | 1,898,106 | 2,300,112 | 385,546 | 271,714 | 1,433,629 | 580,359 |
| | <u>Operating Expense Adjustments</u> | | | | | | | |
| 2. | Depreciation | Schedule 1.11, Page 2 | 156,961 | 22,406 | 5,784 | 24,078 | 10,291 | 20,570 |
| 3. | Billing & Collection | Schedule 1.11, Page 3 | (49,976) | (120,713) | (20,907) | (14,942) | (95,859) | (58,082) |
| 4. | Directory | Schedule 1.11, Page 4 | (28,122) | (10,157) | (2,125) | (1,710) | (42,945) | (5,931) |
| 5. | Expense Allocation | Schedule 1.11, Page 5 | 18,524 | 18,557 | 3,663 | 3,802 | 11,321 | 3,642 |
| 6. | Total Operating Expense Adjustments | Line 2+Line 3+Line4+Line 5 | 97,387 | (89,907) | (13,585) | 11,228 | (117,192) | (39,801) |
| 7. | Adjusted Operating Expense | Line 1 + Line 6 | 1,995,493 | 2,210,205 | 371,961 | 282,942 | 1,316,437 | 540,558 |

**Frontier Companies
 Depreciation Expense**

| Depreciation Expense | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|---|-----------------|----------------|---------|----------|---------|----------|---------|
| 2001 Capital Budget | | 1,433,764 | 980,039 | 257,886 | 104,915 | 599,109 | 167,335 |
| 2002 Extraordinary Expenditures | | 3,325,680 | - | - | 734,272 | - | 367,136 |
| 1. Additional depreciation expense due to 2001 Capital Budget (half year assumed) | | 36,327 | 22,406 | 5,784 | 2,677 | 10,291 | 4,907 |
| 2. Additional depreciation expense due to 2002 Extraordinary Expenditures (half year assumed for 2002, whole year assumed for 2001 budget) | | 120,634 | - | - | 21,401 | - | 15,663 |
| 3. Total Depreciation Adjustment | Line 1 + Line 2 | 156,961 | 22,406 | 5,784 | 24,078 | 10,291 | 20,570 |

Frontier Companies
Billing and Collection Expense

| Line No. | Billing and Collection | Reference | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|----------|-------------------------------------|----------------------------|----------------|------------|-----------|-----------|------------|------------|
| 1. | 12/31/2000 Customer Service Expense | Trial Balance 6623 | \$ 112,585 | \$ 264,722 | \$ 45,380 | \$ 33,014 | \$ 213,304 | \$ 128,273 |
| | <u>Expense Factor</u> | | | | | | | |
| 2. | Toll Bills | Company Records | 3,689 | 3,805 | 716 | 868 | 2,222 | 652 |
| 3. | Local Bills | Company Records | 4,622 | 4,539 | 838 | 1,050 | 2,722 | 788 |
| 4. | % of bills that are toll | Line 2 / (Line 2 + Line 3) | 44.39% | 45.60% | 46.07% | 45.26% | 44.94% | 45.28% |
| 5. | Billing and Collection Expense | Line 1 * Line 4 | 49,976 | 120,713 | 20,907 | 14,942 | 95,859 | 58,082 |

Frontier Companies
Yellow Page Directory Expense

| Yellow Page Directory Expense | FC of Illinois | | Midland | | Lakeside | | Prairie | | Schuyler | | DePue | |
|-------------------------------------|----------------|--------|---------|--------|----------|-------|---------|-------|----------|--------|-------|-------|
| Comm - Local | \$ | 4,375 | \$ | 299 | | | | | \$ | 8,696 | | |
| Comm - Foreign | | 2,068 | | 933 | | | | | | 6,148 | | 1,484 |
| Comm - YPPA | | 878 | | 298 | | | | | | (109) | | 142 |
| NYPS Agency Fee | | 2,475 | | 839 | | | | | | 4,831 | | 400 |
| Extra Dir Comm | | 21 | | 10 | | | | | | 16 | | 10 |
| LMB Admin Fee | | 128 | | 36 | | | | | | 282 | | 28 |
| Printing | | 4,834 | | 1,461 | | | | | | 7,467 | | 977 |
| Photocomp | | 2,916 | | 1,043 | | | | | | 7,277 | | 1,148 |
| Cover | | 285 | | 121 | | | | | | 172 | | 176 |
| FTR Admin Fee | | 813 | | 222 | | | | | | 1,823 | | 183 |
| Other | | 9,329 | | 4,895 | | 2,125 | | 1,710 | | 6,342 | | 1,383 |
| Total Yellow Page Directory Expense | \$ | 28,122 | \$ | 10,157 | \$ | 2,125 | \$ | 1,710 | \$ | 42,945 | \$ | 5,931 |

Correction to Allocation of Regional Expenses

| Description | Frontier Comm. of Illinois | Frontier Comm. Midland | Frontier Comm. Lakeside | Frontier Comm. Prairie | Frontier Comm. Schuyler | Frontier Comm. DePue |
|------------------------|-------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|-------------------------|
| Sales | \$ 2,215 | \$ 2,227 | \$ 421 | \$ 500 | \$ 1,452 | \$ 403 |
| Product Advertising | \$ 2,110 | \$ 2,126 | \$ 403 | \$ 473 | \$ 1,381 | \$ 388 |
| Customer Services | \$ 6,172 | \$ 6,193 | \$ 1,166 | \$ 1,387 | \$ 4,034 | \$ 1,130 |
| Customer Services | \$ 421 | \$ 431 | \$ 84 | \$ 94 | \$ 281 | \$ 75 |
| Executive | \$ 1,367 | \$ 1,308 | \$ 417 | \$ (59) | \$ 90 | \$ 506 |
| Executive | \$ 714 | \$ 719 | \$ 136 | \$ 163 | \$ 467 | \$ 131 |
| Accounting and Finance | \$ 1,189 | \$ 1,199 | \$ 225 | \$ 272 | \$ 777 | \$ 215 |
| Accounting and Finance | \$ 478 | \$ 478 | \$ 89 | \$ 105 | \$ 310 | \$ 89 |
| External Relations | \$ 1,412 | \$ 1,412 | \$ 264 | \$ 318 | \$ 923 | \$ 256 |
| External Relations | \$ 506 | \$ 515 | \$ 94 | \$ 112 | \$ 337 | \$ 94 |
| External Relations | \$ 94 | \$ 94 | \$ 16 | \$ 21 | \$ 63 | \$ 16 |
| Human Resources | \$ 94 | \$ 94 | \$ 16 | \$ 21 | \$ 63 | \$ 16 |
| Other General & Admin. | \$ 1,274 | \$ 1,283 | \$ 243 | \$ 290 | \$ 833 | \$ 234 |
| Other General & Admin. | \$ 478 | \$ 478 | \$ 89 | \$ 105 | \$ 310 | \$ 89 |
| | \$ 18,524 | \$ 18,557 | \$ 3,663 | \$ 3,802 | \$ 11,321 | \$ 3,642 |

Frontier Companies
Commission-Ordered Cash Balance Requirement

| Minimum Requirement | FC of Illinois | Midland | Lakeside | Prairie | Schuyler | DePue |
|--|-----------------------|----------------|-----------------|----------------|-----------------|--------------|
| Estimated 2002 Routine Capital Budget (Note 1) | \$ 1,433,764 | \$ 980,039 | \$ 257,886 | \$ 104,915 | \$ 599,109 | \$ 167,335 |
| 2002 Extraordinary Expenditures | 3,325,680 | - | - | 734,272 | - | 367,136 |
| Estimated 2002 Capital Budget / 2001 Commission-Ordered Cash Balance Requirement | \$ 4,759,444 | \$ 980,039 | \$ 257,886 | \$ 839,187 | \$ 599,109 | \$ 534,471 |

Note 1: 2001 Capital Budget